WHITEHORSE COPPER MINES

ANNUAL REPOR

OFFICERS	JOHN BRUK, President and Chief Executive Officer RAYMOND O. HAMPTON, Secretary-Treasurer JEAN M. DAVIDSON, Assistant Secretary
DIRECTORS	J. BRUK R. C. C. HENSON K. KAWAKAMI W. A. MORRICE G. W. H. RELLY P. M. REYNOLDS G. J. RISBY M. YOKOSE
COMPANY OFFICES	HEAD OFFICE: 1695 Two Bentall Centre, 555 Burrard Street Vancouver 1, B.C. MINE OFFICE: Box 4280, Whitehorse, Y.T.
SHARES LISTED	TORONTO STOCK EXCHANGE VANCOUVER STOCK EXCHANGE
TRANSFER AGENT AND REGISTRAR	CANADA PERMANENT TRUST COMPANY Vancouver, B.C.; Toronto, Ont.; Montreal, Que.; Calgary, Alta.
BANKERS	TORONTO DOMINION BANK Vancouver, B.C.; Whitehorse, Y.T.
SOLICITORS	LAWRENCE & SHAW Vancouver, B.C.
AUDITORS	McDONALD, CURRIE & CO. Vancouver, B.C.

ANNUAL GENERAL MEETING
Kent Room
Hotel Georgia
Vancouver, B.C.
Tuesday, April 25, 1972
10:00 a.m.

The General Meeting held August 30, 1971 authorized the changing of the Company's name from New Imperial Mines Ltd.

DIRECTORS' REPORT TO THE SHAREHOLDERS

OPERATIONS

The weak copper market which developed in the latter part of 1970 and continued into the year under review brought about increasing difficulties for the Company, which culminated in a decision to suspend mining and milling operations in June 1971. The average copper price during the six months of operations in 1971 was 48¢ per lb. as compared to 70¢ per lb. in 1970.

The operating loss for the financial year amounted to $1,169,273. In addition, an amount of $1,593,116 was written off in respect of expenditures incurred in the ore deposits which proved uneconomic under prevailing price conditions. After adding $1,538,270 in respect of non-cash items, the overall loss for 1971 was $4,300,659.

MINING DEVELOPMENT

In the light of the difficulties facing the Company in respect of its open pit operations, a feasibility study was undertaken early in the year to assess the economics of an accelerated development for mining underground. The study, completed in April, 1971, concluded that if a vertical shaft was sunk and operated in conjunction with the decline already being advanced towards the Middle Chief orebody, a profitable operation could be maintained over a period of some four and one-half years, based on the known ore reserves of the Little Chief and Middle Chief orebodies. It was estimated that the Company would have to find an additional $6,800,000 to carry out this capital and development work over eighteen months, and at the same time absorb the costs of shutdown and other overhead expenditures.

Your Directors decided to implement the recommendations contained in the feasibility report and financing was arranged through a joint venture with Hudson Bay Mining and Smelting Co., Limited (Hudbay) and Anglo American Corporation of Canada Limited (Amcan). In terms of the financing arrangements, which were outlined in the notice calling the General Meeting held on August 30, 1971, Hudbay and Amcan undertook to provide an aggregate amount of $6,800,000 by the purchase of $4,900,000 of 9% First Mortgage Bonds of the Company, and by making a direct cash advance of $1,900,000 to the joint venture, in consideration for the acquisition from your Company of a one-third interest in the Little Chief and Middle Chief orebodies. Your Company's contribution to the joint venture will consist mainly of the development and capital expenditures on the Little Chief and Middle Chief orebodies and an interest-free loan of $2,000,000 to provide working capital.

As a result of the financing arrangements, the indebtedness of your Company to Hudbay and Amcan is now as follows:

Series "A" 9% First Mortgage Bonds	$2,050,000*
Series "B" 7% Income Bonds (issued in 1969)	2,850,000
Accrued interest on Series "A" and "B" Bonds	265,679
	$5,165,679

*Out of the total amount of $4,900,000 to be advanced.

It is envisaged that the entire debt will be repaid out of the funds to be generated from the operations of the Little Chief and Middle Chief orebodies.

CORPORATE RE-ORGANIZATION

In August, 1971, shareholders approved the consolidation of share capital on a 2 1/2:1 basis and presently 3,359,102 shares are issued and

outstanding out of a total capitalization of 6,000,000 shares. Of the unissued shares, 400,000 shares at a price of $3.125 per share and 400,000 shares at a price of $7.50 per share are under option to Hudbay and Amcan. In addition, 150,000 shares are reserved for employees' stock options, of which 22,000 have been granted pursuant to option agreements with key employees.

EXPLORATION

As stated earlier, ore reserves of the Little Chief and Middle Chief orebodies are estimated to be sufficient for operations until the end of 1976. It is important for additional ore to be discovered and developed. Two plans have been prepared for future exploration and ore development, one calling for immediate exploration of the properties north of the Little Chief and Middle Chief orebodies pursuant to a new option agreement with Hudbay and Amcan, which is distinct from the joint venture for development of underground mining. The new agreement calls for a minimum expenditure by Hudbay and Amcan of $300,000 over a period of three years, with an option to spend a further $200,000 within the following two years. Provided Hudbay and Amcan spend a total of $500,000, they will be entitled to earn a 60% interest in not more than two separate blocks, comprising no more than 25% of the mineral claims within the optioned area. Should your Company elect not to provide its 40% share of the funds required for development, then its interest will be reduced to 25%, non-assessable.

The second plan calls for exploration by your Company of the properties south of the Little Chief and Middle Chief orebodies. This exploration will be financed out of funds generated from operations in 1973 and subsequent years.

CURRENT YEAR

During 1972 the Company's main objective is to prepare the Little Chief and Middle Chief orebodies for production by January, 1973, and to arrange satisfactory terms for the sale of its concentrates. When the joint venture was negotiated with Hudbay and Amcan, it was agreed with Ataka & Co. Ltd., and C. Itoh & Co. Ltd., our previous buyers, both of Japan, to negotiate a new agreement. Although Ataka and C. Itoh have advised that they are not able to make a proposal for the purchase of our concentrates, negotiations are continuing. At the same time your Company is trying to find other possible buyers who can provide us with the most favourable terms.

ACKNOWLEDGMENT

During our difficulties in 1971, we recognised that your Company is an integral part of the life in Whitehorse. To resolve our problems we had to ask assistance from the Territorial and City Governments, and we wish to acknowldege their co-operation and assistance. In addition, on behalf of the Board, we wish to express our appreciation to all employees.

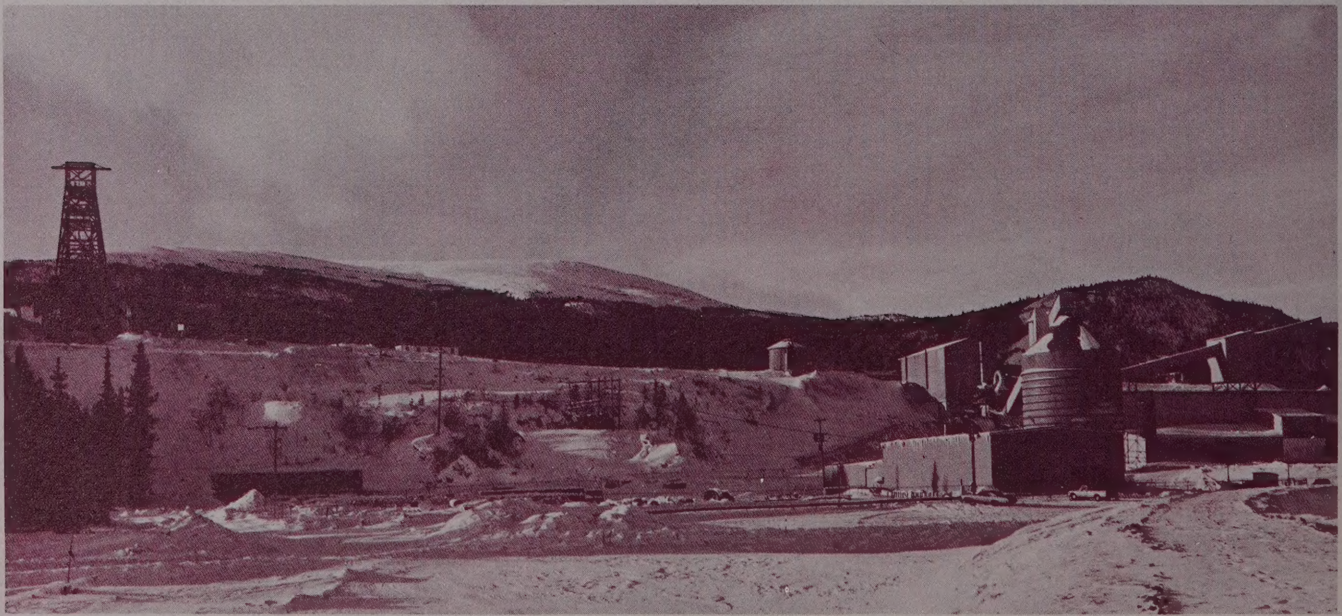
On behalf of the Board

John Bruk

John Bruk
President

March 6, 1972

Headframe of the shaft for hoisting the ore from the Little Chief and Middle Chief underground orebodies.



View of facilities at the Company's property near Whitehorse, showing the mill building and fine ore bin in the foreground, and the headframe to the left.

REPORT OF THE GENERAL MANAGER

The President and Directors
Whitehorse Copper Mines Ltd.

The following is a review of activities at the Company's property near Whitehorse for the 1971 fiscal year.

GENERAL

Because of the low copper price, the Company was forced to suspend open pit mining and milling operations until January 1973, at which time the Little Chief and Middle Chief orebodies are expected to be ready for production using underground mining methods.

OPEN PIT MINING

The mining of the Black Cub and the Keewenaw orebodies was carried out after a short shutdown period early in the year. The closure of the Black Cub open pit before it had been mined to the planned depth was necessitated by the poor ground conditions that existed. Mining was then transferred to the Keewenaw orebody.

Notwithstanding improved maintenance and increased productivity, it became necessary to suspend open pit operations at the end of June 1971 because of the low metal price.

The shutdown of operations at the mine proceeded smoothly and, with the assistance of the local Canada Manpower Office, employment was found for the majority of our laid off personnel.

UNDERGROUND MINING

In April 1971 a feasibility study was completed for the mining of the Little Chief and Middle Chief orebodies by underground methods. The recommendations contained in this study were accepted by your Board of Directors, and a start was made on the sinking of a 14 foot diameter vertical shaft.

The mining of the decline, originally started in October, 1969, was continued and as of the time of this report it has reached the 1997 foot elevation. A connection between the decline and the vertical shaft at this elevation is now in progress.

Stope development is being carried out from the decline and this part of the development is ahead of schedule.

The vertical shaft has reached a depth of 1059 feet. There remain 206 feet to be sunk before the shaft will be equipped and prepared for normal hoisting operations.

The mine is expected to be ready for production on schedule by January 1973.

MILLING OPERATIONS

The ore processed during 1971 from the Black Cub and Keewenaw orebodies presented a few problems, with the recoveries from the Keewenaw orebody affected by a large proportion of chrysocolla.

During the suspension period modifications are being carried out in order to prepare the mill for the higher grade of ore that will be processed in future operations. This work also is proceeding according to plan.

SURFACE CONSTRUCTION

The construction of the new surface buildings and the establishment of adequate compressed air and fresh water supplies is being carried out. Most of this construction is already completed.

SUMMARY OF PRODUCTION

	Year Ended December 31 1971* Tons	Year Ended December 31 1970 Tons
Ore from:		
Stockpile	**23,000**	33,953
War Eagle Pit	**27,610**	793,633
Black Cub Pit	**174,461**	30,991
Keewenaw	**167,298**	—
Total	**392,369**	858,577
Waste from:		
War Eagle Pit	**30,490**	1,764,470
Black Cub Pit	**428,151**	14,176
Keewenaw	**1,121,201**	—
Total	**1,579,842**	1,778,646
Ore Milled (Dry Tons)	**337,758**	852,461
Grade of Copper	**1.02%**	1.04%
Recovery	**75.83%**	91.00%
Copper produced (Lbs.)	**5,236,738**	16,084,731

*Operations were carried out for only six months during 1971 as opposed to twelve months in 1970.

EXPLORATION

The exploration program consisted of follow-up work carried out primarily by induced polarization and magnetometer surveys over selected parts of the Company's property.

A promising area of induced polarization anomaly, about one-half mile north of the War Eagle pit, was drilled and found to contain copper values. Surface diamond drilling to test induced polarization anomalies near the old Pueblo workings met with limited encouragement.

The Cowley Park deposit was drilled on the intermediate (50') sections with a view to verifying and improving the ore reserves. The results confirmed the erratic nature of the deposits. Recalculation of ore reserves and stripping ratios showed that the deposit could not be mined profitably at the prevailing copper price.

The bulk of our exploration continues to be the development drilling of the Little Chief and Middle Chief orebodies.

ORE RESERVES

As of February, 1972, proven and probable ore reserves were:

Ore Zone	Tons	% Cu
Underground:		
Little Chief	2,258,200	2.42
Middle Chief	444,074	2.22
Total	2,702,274	2.38

Ore Zone	Tons	% Cu
Low Grade Deposits — presently considered uneconomic:		
Best Chance	492,737	0.71
Black Cub North	172,000	0.82
Black Cub South	21,964	1.25
Cowley Park	975,598	0.89
Gem	688,994	1.01
Keewenaw	223,387	1.06
Kodiac Cub	63,000	1.18
Total	2,637,680	0.91

NOTES:

1. Underground:

Underground diamond drilling on 50' centres between 2050 and 2400 elevations in the Little Chief orebody revealed some ore sections to be narrower than indicated by surface drilling. A small loss in grade has also taken place. All assays in excess of 6% Cu were cut to 6%.

2. Open Pits:

The Cowley Park and partly mined Keewenaw deposits would be economic at higher copper prices.

The War Eagle North and Black Cub South pits were mined out during the year. The mining of the Black Cub South open pit was terminated because of the slides.

All values shown for low grade deposits are after taking into account a dilution factor of 15%, except for Gem which is at a 25% dilution factor.

CAPITAL EXPENDITURES

Capital expenditures for 1971 amounted to $3,382,855. Of this figure, $2,733,747 was incurred by the joint venture for underground development, shaft sinking and construction of surface facilities.

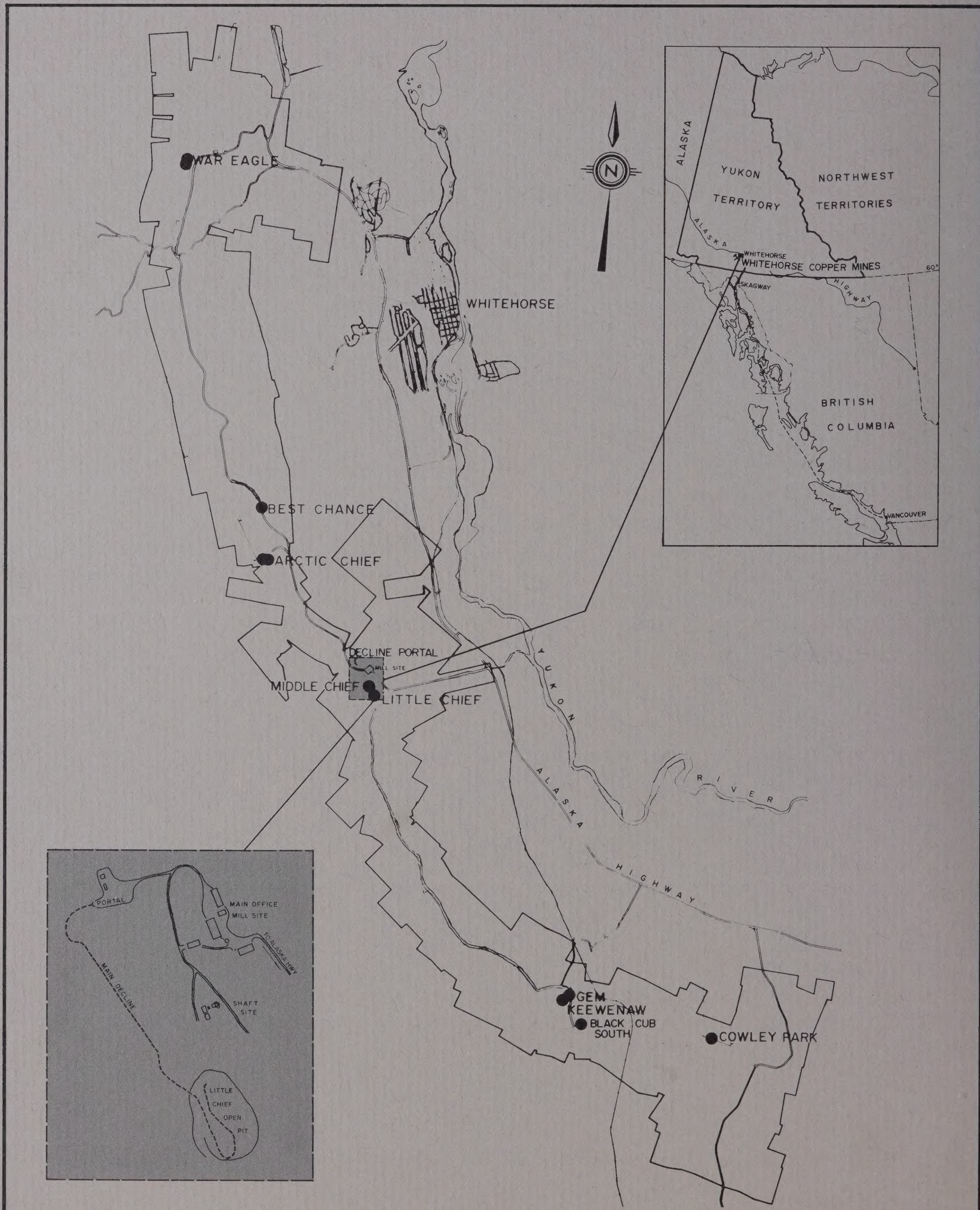
ACKNOWLEDGEMENT

I wish to express my gratitude to our employees for their support and determination in preparing the Little Chief and Middle Chief orebodies for production in 1973.

P. Steen.

Whitehorse
March 3, 1972

Peter Steen
General Manager


WAR EAGLE
WHITEHORSE
N
BEST CHANCE
ARCTIC CHIEF
DECLINE PORTAL
MILL SITE
MIDDLE CHIEF
LITTLE CHIEF
YUKON
RIVER
ALASKA
HIGHWAY
GEM
KEEWENAW
BLACK CUB
SOUTH
COWLEY PARK
ALASKA
YUKON
TERRITORY
NORTHWEST
TERRITORIES
WHITEHORSE
WHITEHORSE COPPER MINES
SKAGWAY
60°
BRITISH
COLUMBIA
VANCOUVER
PORTAL
MAIN OFFICE
MILL SITE
TO ALASKA HWY
MAIN DECLINE
SHAFT
SITE
LITTLE
CHIEF
OPEN
PIT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1971

	1971 $	1970 $
CURRENT ASSETS		
Cash and short-term deposits	1,219,250	1,937,372
Concentrate settlements receivable, at estimated realizable value		35,222
Accounts receivable	50,097	55,085
Concentrate inventory, at estimated net realizable value		1,503,301
Mine materials and supplies, at cost		865,444
Prepaid expenses		84,279
	1,269,347	4,480,703
Deduct CURRENT LIABILITIES		
Accounts payable and accrued liabilities	8,201	705,917
Long-term debt maturing within one year (note 6)	9,000	8,600
	17,201	714,517
WORKING CAPITAL	1,252,146	3,766,186
OTHER ASSETS		
Loan receivable	40,000	50,000
Investment in and loan to Joint Venture (notes 1 and 12)	6,035,908	
Mining properties (notes 3 and 12)	647,253	652,661
Plant and equipment less accumulated depreciation (note 4)	5,872,109	7,308,761
Deferred expenditures less accumulated amortization (note 5)		4,063,077
	13,847,416	15,840,685
Deduct LONG-TERM DEBT less amounts maturing within one year (note 6)	5,507,777	3,200,390
SHAREHOLDERS' EQUITY	8,339,639	12,640,295
REPRESENTED BY:		
Capital Stock (notes 7 and 8)		
Authorized — 6,000,000 shares without nominal or par value		
Issued and fully paid — 3,357,802 shares (1970 — 3,357,801 shares)	7,181,073	7,181,070
Retained Earnings	1,158,566	5,459,225
	8,339,639	12,640,295

SIGNED ON BEHALF OF THE BOARD

JOHN BRUK, Director

P. M. REYNOLDS, Director

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971 $	1970 $
REVENUE FROM CONCENTRATES PRODUCED	**2,669,926***	9,905,251
Less: Treatment and marketing costs	**428,865**	1,576,248
	2,241,061	8,329,003
EXPENDITURES		
Concentrate production costs	**3,039,013**	5,588,136
Administration	**343,369**	506,133
	3,382,382	6,094,269
OPERATING INCOME (LOSS)	**(1,141,321)**	2,234,734
INTEREST ON LONG-TERM DEBT	**27,952**	231,882
EARNINGS (LOSS) AFFECTING WORKING CAPITAL	**(1,169,273)**	2,002,852
OTHER EXPENSES		
Depreciation	**849,743**	1,232,686
Loss on disposal of plant and equipment	**273,011**	6,293
Amortization of deferred expenditures	**299,054**	725,000
Accrued interest on Series "B" income bonds	**116,462**	
	1,538,270	1,963,979
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	**(2,707,543)**	38,873
EXTRAORDINARY ITEMS (note 5)	**(1,593,116)**	
NET EARNINGS (LOSS) FOR THE YEAR (notes 2 and 10)	**(4,300,659)**	38,873
RETAINED EARNINGS — BEGINNING OF YEAR	**5,459,225**	5,420,352
RETAINED EARNINGS — END OF YEAR	**1,158,566**	5,459,225

EARNINGS (LOSS) PER SHARE (see note 9)

*Operations were carried out for only six months during 1971 as opposed to twelve months in 1970.

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971 $	1970 $
SOURCE		
Operations		2,002,852
Plant and equipment disposals	312,410	
Mortgages		127,575
Capital stock	3	4,620
Series "A" bonds	2,050,000	
Loan repayment	10,000	
	2,372,413	2,135,047
USE		
Operations	1,169,273	
Deferred expenditures	493,748	1,466,869
Loan to joint venture	1,859,780	
Capital advance to joint venture	1,175,000	
Plant and equipment additions	155,360	1,266,275
Mining properties	25,000	28,996
Long-term debt	8,292	9,379
Loan receivable		50,000
	4,886,453	2,821,519
DECREASE IN WORKING CAPITAL	2,514,040	686,472
WORKING CAPITAL — BEGINNING OF YEAR	3,766,186	4,452,658
WORKING CAPITAL — END OF YEAR	1,252,146	3,766,186

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1971

1. INVESTMENT IN AND LOAN TO JOINT VENTURE

(a) On August 31, 1971, the company entered into a joint venture operating agreement with Hudson Bay Mining and Smelting Co., Limited (Hudbay) and Anglo American Corporation of Canada Exploration Limited (Amex) for the underground development and exploitation of the Little Chief and Middle Chief orebodies. The benefits to be derived from the joint venture are to be shared amongst the owners as to one-sixth by each of Amex and Hudbay and as to two-thirds by Whitehorse Copper Mines Ltd., being their respective interests.

The following is the statement of financial position of the joint venture and the notes related thereto for the period from August 31, 1971 to December 31, 1971:

STATEMENT OF FINANCIAL POSITION OF THE JOINT VENTURE
AS AT DECEMBER 31, 1971

		$
CURRENT ASSETS		
Accounts receivable	20,150	
Mine materials and supplies, at the lower of cost and net realizable value	656,617	
Prepaid expenses	58,882	735,649
Deduct		
CURRENT LIABILITIES		
Bank advances	35,383	
Accounts payable and accrued liabilities	399,233	434,616
WORKING CAPITAL		301,033
DEFERRED EXPENDITURES AND FIXED ASSETS		2,733,747
		3,034,780
Deduct		
LONG-TERM DEBT		1,859,780
OWNERS' EQUITY		1,175,000
DERIVED FROM CAPITAL ADVANCES:		
Whitehorse Copper Mines Ltd.		1,175,000

NOTES TO THE STATEMENT OF FINANCIAL POSITION
OF THE JOINT VENTURE FOR THE PERIOD
FROM AUGUST 31, 1971 TO DECEMBER 31, 1971

A. The present estimated capital advances required to bring the joint venture programme into production is $6,800,000 to be advanced from the owners as follows:

	$
Whitehorse Copper Mines Ltd. (of which $1,175,000 had been advanced at December 31, 1971)	4,900,000
Hudson Bay Mining and Smelting Co., Limited	950,000
Anglo American Corporation of Canada Exploration Limited	950,000
	6,800,000

B. In addition to the capital advances set out above, Whitehorse Copper Mines Ltd. is obligated to advance a further $2,000,000 in the form of working capital assets or cash. Such advances are repayable to Whitehorse Copper Mines Ltd., without interest, upon completion of the joint venture programme or earlier to the extent that working capital requirements are reduced. As at December 31, 1971, these advances amounted to $1,859,780.

C. Joint venture operating profits or losses, as defined, are to be calculated quarterly and profits are to be paid to the owners pro rata to their respective interest in the joint venture.

D. Deferred expenditures and fixed assets are as follows:

Deferred Expenditures —

	$
Mine and shaft development (including depreciation of $26,002) . . .	1,288,516
Operating overhead and administration	482,733
	1,771,249

Fixed Assets —

	Cost $	Accumulated depreciation $	Net $
Mining equipment	292,275	14,614	277,661
Plant and equipment . .	696,225	11,388	684,837
	988,500	26,002	962,498
			2,733,747

Certain deferred expenditures incurred by Whitehorse Copper Mines Ltd. between April 1, 1971 and August 31, 1971 have been transferred into the joint venture as provided by the joint venture agreement.

(b) As at December 31, 1971, the company's investment in and loan to the joint venture was as follows:

		$
Loan to joint venture		1,859,780
Investment in joint venture —		
Mining properties (note 3)	25,700	
Deferred expenditures incurred prior to joint venture operations (note 5)	2,669,363	
Costs deferred since start-up of joint venture operations —		
Depreciation (note 4)	156,848	
Interest	149,217	
Capital advance	1,175,000	4,176,128
		6,035,908

(c) Each of the owners is contingently liable for the debts of the joint venture to the extent that such liability exceeds its respective interest with the right of recovery of such excess from the others.

2. SUSPENSION OF MILLING OPERATIONS AND REFINANCING

Milling operations were temporarily suspended in January 1971 and again in June 1971 as it was uneconomical to continue open pit mining at prevailing copper prices. Underground development of certain of the company's mining properties is being undertaken through a joint venture (notes 1 and 6) and is expected to be completed by January 1973, whereupon milling operations will resume.

The company's concentrate sales contract has been terminated by mutual consent of all parties. Negotiations on a new contract will commence in 1972.

Hudson Bay Mining and Smelting Co., Limited (Hudbay) and Anglo American Corporation of Canada Limited (Amcan), the purchasers of the Series "A" bonds have been offered the first right to participate in future financing of the company's mining properties.

3. MINING PROPERTIES

(a) Mining properties as at December 31, 1971 include mineral claims being acquired under option with the balance of $25,000 payable in 1972.

(b) During the year the company transferred an undivided one-sixth interest in the Little Chief and Middle Chief orebodies to each of Hudbay and Amex in accordance with the terms of an agreement under which the joint venture was established. The original cost of these mining properties to the company, $25,700, has been transferred to investment in joint venture (note 1). The company's undivided two-thirds retained interest is included in the property that has been leased to the joint venture for $1.

NOTES TO FINANCIAL STATEMENTS (continued)

4. PLANT AND EQUIPMENT

(a) Plant and equipment costs and related accumulated depreciation, calculated on a straight line basis, are as follows:

	1971				1970
	Cost $	Annual rate	Accumulated depreciation $	Net $	Net $
Mining equipment	648,065	20%	373,382	274,683	1,078,142
Plant and equipment	7,061,780	10%	2,120,461	4,941,319	5,649,043
Staff houses and land	644,145	4%	86,074	558,071	581,576
Mining equipment held for sale	705,300	20%	607,264	98,036	
	9,059,290		3,187,181	5,872,109	7,308,761

(b) During the term of the joint venture operating agreement, the joint venture has the right to use the company's plant and equipment. After Hudbay and Amex have been paid an aggregate of $6,500,000 as their share of the joint venture operating profits, the company is entitled to recover from the joint venture the amount from time to time charged in respect of depreciation on plant and equipment used by the joint venture.

(c) Depreciation in the amount of $156,848 relating to equipment used in the joint venture operations during the year has been deferred and included in Investment in Joint Venture (note 1).

5. DEFERRED EXPENDITURES

(a) Deferred expenditures and accumulated amortization related thereto are as follows:

	1971 $	1970 $
Deferred expenditures	6,061,825	5,568,077
Accumulated amortization	3,392,462	1,505,000
	2,669,363	4,063,077
Transferred to investment in joint venture (note 1 (b))	2,669,363	
	Nil	4,063,077

(b) During the year, deferred expenditures in the amount of $1,588,408 plus mining properties of $4,708, totalling $1,593,116, were written off as an extraordinary item. These expenditures related to open pit ore reserves which are presently considered uneconomical.

6. LONG-TERM DEBT

(a) Long-term debt is as follows:

	1971 $	1970 $
Series "A" 9% First Mortgage Bonds with principal and interest due December 31, 1976, totalling $4,900,000 less $2,850,000 to be drawn in 1972	2,050,000	
Series "B" 7% Income Bonds with principal due December 31, 1976	2,850,000	2,850,000
Mortgage loans	351,098	358,990
Accrued interest on Series "A" and Series "B" bonds	265,679	
	5,516,777	3,208,990
Less: Amounts maturing within one year included with current liabilities	9,000	8,600
	5,507,777	3,200,390

Interest on the Series "A" bonds is to be paid quarterly out of the operating profit, as defined, from February 1, 1973. Principal is repayable only after payment of interest on Series "B" bonds.

Interest on Series "B" bonds is to be paid quarterly from February 1, 1973 only if and to the extent of operating profit, as defined, and after payment of interest on Series "A" bonds. Principal is repayable only after Series "A" bonds have been retired.

Mortgage loans bearing interest at rates varying from 6-3/4% to 9-1/2% are due by 1994, repayable at $3,839 per month, including principal, interest and taxes, and secured by charges on land and houses for company employees.

(b) The Series "A" and Series "B" bonds are secured by a deed of trust and mortgage constituting first fixed and floating charges on all properties and assets of the company, except for land and houses for company employees, now or hereafter acquired, including the interest of the company in the assets of the joint venture (note 1).

(c) The proceeds of the Series "A" bonds are to be applied as capital advances by the company for the implementation of the joint venture programme (note 1).

7. CAPITAL STOCK

(a) As at December 31, 1970, the authorized share capital consisted of 10,000,000 shares without nominal or par value, of which 8,394,502 shares were issued and outstanding.

During 1971 capital stock changed as follows:

(i) Three shares were issued for cash of $1 each.

(ii) Authorized share capital was increased by the creation of an additional 5,000,000 shares without nominal or par value.

(iii) 3,963,297 unissued shares that had not been taken nor agreed to be taken were cancelled and the authorized capital of the company was diminished by the shares so cancelled.

(iv) The 8,394,505 issued shares were converted, 2-1/2 for 1, into 3,357,802 shares without nominal or par value.

(v) The authorized capital of the company then became 6,000,000 shares without nominal or par value which may be issued for a maximum consideration not to exceed $15,000,000.

(b) Since incorporation, the following shares (after conversion, as described above) have been issued for the consideration indicated:

	Shares	Amount $
Cash	3,025,644	6,667,810
Services	141,130	34,987
Properties	191,028	478,276
	3,357,802	7,181,073

(c) The long-term debt described in note 6 above prohibits the payment of dividends.

8. STOCK OPTIONS OUTSTANDING

(a) Anmercosa Investments Limited and Hudson Bay Mining and Smelting Co., Limited each have the option to purchase 200,000 shares at $7.50 per share on or before December 31, 1972. In addition, Anmercosa and Hudbay each have the option to purchase 200,000 shares at $3.125 per share on or before December 31, 1975. The company has agreed to apply the proceeds of the options, if exercised, to the payment of interest on and principal of the bonds (note 6).

(b) The company has granted, as an incentive to senior salaried employees of the company, options to purchase 22,000 shares of the capital stock of the company at $1.35 per share. These options are exercisable in varying amounts to November 12, 1976.

NOTES TO FINANCIAL STATEMENTS (continued)

9. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated after giving retroactive effect to the stock conversion as set out in note 7

	1971	1970
Net earnings (loss) before extraordinary item	(81¢)	1-1/4¢
Net earnings (loss) for the year	($1.28)	1-1/4¢

10. INCOME TAXES

The company has a loss of approximately $1,000,000 which will be carried forward and applied against any taxable income up to and including 1976.

As at December 31, 1971, deferred expenditures amounting to $2,900,000 have been written off against earnings of the current and prior years but have not been claimed for income tax purposes and are available to be applied against any taxable income earned in the future.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid during 1971 to the directors, senior officers and the five highest paid employees (three of whom are mine personnel) amounted to $126,848, (1970 — $127,552).

12. VALUES

The amounts shown for mining properties and investment in and loan to joint venture represent costs to date and do not necessarily reflect present or future values.

13. SUBSEQUENT EVENT

Subsequent to December 31, 1971 an agreement in principle was reached with Hudson Bay Exploration and Development Company Limited and Anglo American Corporation of Canada Exploration Limited, for the exploration and development of the mineral properties north of the Little Chief and Middle Chief orebodies.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the statement of financial position of Whitehorse Copper Mines Ltd. as at December 31, 1971 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 11, 1972

'McDONALD, CURRIE & CO.'
Chartered Accountants